

**North Carolina Department of Health and Human Services
OFFICE OF ECONOMIC OPPORTUNITY**

Beverly Eaves Perdue, Governor
Lanier M. Cansler, Secretary

Verna P. Best, Director

November 18, 2011

Reverend Charles Davis, Jr., Chairman
Board of Directors
New Hanover County Community Action, Inc.
416 Crete Drive
Wilmington, North Carolina 28403

Dear Reverend Davis:

On April 11-14, 2011, Barbara Gomez (Program Analyst), Jean Fecteau (Fiscal Analyst) and Trudy Logan (CSBG Program Manager) conducted an on-site review of the New Hanover County Community Action, Inc. (NHCCA) Community Services Block Grant (CSBG) and CSBG/American Recovery and Reinvestment Act (ARRA) Programs, as required by Section 678 B of the Community Services Block Grant Act. During the visit, OEO performed follow-up monitoring related to our Office's May 2010 monitoring visit. (OEO sent your agency a communication dated September 12, 2011 related to the review.)

We appreciate your participation in the process as well as Board members Clarence Smith and Shelia Schult. Staff members present during the visit included Cynthia Brown (Executive Director), Brenda Thomas (Family Services Manager) Lee Dineen (Finance Officer), Linda Thomas (Intake Specialist), Madelyn Barrett and Wilma Moses (Family Service Specialists).

This letter reflects the results of the monitoring of NHCCA's official FY 2009-10 OEO Year-End Report of Project Outcomes, FY 2010-11 programmatic operations inclusive of files, Accountable Results for Community Action (AR4CA) data input, forms and records, administrative documents, fiscal records, staff interviews, along with an analysis of the CSBG Program Pre-Assessment Questionnaire/ the OEO Internal Control Questionnaire. The new findings, repeat findings and observations identified as a result are listed below.

Eight (8) *Corrective Action Worksheets* are attached to this letter to be completed by the appropriate staff and returned to our Office for review and acceptance as soon as possible, but no later than thirty (30) business days from the date of this correspondence. We will also send an electronic version of the worksheets to appropriate staff.

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Administrative Findings

Finding 01-2011: (Repeat finding originally cited during FY 2009-10 monitoring)
NHCCA is non-compliant with NCAC 10A 97C .0109 and agency bylaws Article IV-5b as it relates to the democratic selection of persons that represent the low-income community. The agency was unable to provide documentation to support the seating of McNeil and Jamison-George. Additional notes relative to this finding are stated in the attached Exit Conference Summary (see attachment for reference).

Required Action:

Develop a comprehensive plan detailing the documents that NHCCA will maintain as evidence of the democratic selection process. In addition, identify the documents that will be maintained in the each board member file. Submit this information to our Office for review. Ensure that documentation related to the recruitment and seating of all Board members is maintained on file and made readily available for review.

Finding 02-2011:

NHCCA is non-compliant with the agency's bylaws, Article IV-7-Term Limitations, which indicates that terms are four years and that there is a limit of two terms unless there is a majority vote to extend. Documentation denoting the reseating of C. Davis, C. Smith and S. McClammy was not on file.

Required Action:

Ensure that the documentation related to the reseating of board members is maintained on file and made readily available for review. The board should take action as it relates to the status of the three board members identified above and submit the approved/signed board minutes to support the action to OEO.

Finding 03-2011:

NHCCA is non-compliant with the agency's Personnel Policies and Procedures Manual-XI Performance Evaluation, Promotion and Demotion-Process #4. The policy indicates that *regular employees are subject to a performance evaluation annually. Evaluations for teaching staff should be held no later than May 1 each year. Evaluations for non-teaching staff are due for completion no later than June 1.* In review of performance evaluations, Barrett was reviewed August 2010, Thomas July 2010 and Moses on June 25, 2010.

Required Action:

Assure that the timeframes established by the Policy and Procedures manual are followed. Please provide a detailed plan as to how NHCCA will prevent this finding from recurring.

Programmatic Findings

Finding 04-2011:

NHCCA is non-compliant with NCAC 10A 97C(e)(1) that states, *When the applicant applies for any service provided by the grant recipient, the applicant must sign a self-declaration statement indicating his/her annual income and the income of any other members of the family unit.* Based on review of NHCCA's programmatic records, the signed self-declaration attests that the applicant's income does not exceed the Federal Poverty Income Guidelines not the actual family unit income, as prescribed by the NC Administrative Code.

Required Action:

NHCCA must obtain a signed self-declaration from each participant which indicates the annual income used to determine eligibility as prescribed by the NC Administrative Code. Review the procedure and form used for calculating the annual income for eligibility, make any necessary changes and provide any needed staff training to ensure that applicant eligibility is captured and documented correctly in the Self-Declaration Statement. Maintain staff training documentation as our Office may review during a future monitoring visit.

Observation 01-2011:

NHCCA achieved only 23% of its established long-range goal of thirty (30) families rising above poverty during the three-year planning period ending June 30, 2011. The initial performance results reported for FY 2008-09 was seven (7) families or 23% rising above the poverty level. However, as stated during our May 2010 review and as documented in our August 25, 2010 communication, the rate was reduced to 10% when we were only able to verify two of the seven families reported due to insufficient documentation.

Required Action:

NHCCA must initiate contact with Magi York at Meliora Partners, Inc. (magi@meliorapartners.org / [641] 752-7830) and determine dates for the organization to complete a thorough assessment of NHCCA's CSBG program. This visit needs to occur by February 29, 2012. Notify OEO by December 9, 2011 of the scheduled visit as OEO staff may be present during the assessment.

OEO will share the expense of this assessment. Once Meliora Partners, Inc. submits an invoice to NHCCA and OEO, OEO will pay 50%. NHCCA will need to adjust its FY 2011-12 budget and submit a Budget Change Request reflecting its share of the expense.

Recommendation:

1. Perform a comprehensive internal assessment of the agency's current service delivery model to include the identification of service gaps, training needs, documentation modifications, strengths, weaknesses, etc.
2. Develop and implement specific strategies for educating the community about the benefits of the Self-Sufficiency model, build new and strengthen existing partnerships and increase efforts in leveraging community resources.

Observation 02-2011:

Some participant files contained documentation of established goals that were not recorded in the AR4CA database.

Recommendation:

Maximize use of the AR4CA system for documenting and tracking participant goals and accomplishments; review data and agency files to establish consistency and completeness in measuring progress toward meeting project goals; and perform routine internal monitoring of staff files and AR4CA data entry in accordance with the Performance Improvement Plan developed by agency staff.

Observation 03-2011:

NHCCA's CSBG Program Handbook is not dated, does not clearly define and illustrate implementation of the service delivery model and does not make any references to the electronic documentation of participant records.

Recommendation:

Maximize use of the AR4CA by using the system as a guide to performing and documenting comprehensive case management and update the CSBG Handbook to incorporate these activities. The revised handbook would serve as a formal description of your service delivery model for new and current staff to reference for guidance.

Fiscal Findings

Finding 05-2011: (Repeat finding originally cited during FY 2009-10 monitoring)

NHCCA is non-compliant with its CSBG contract under Section 14. Disbursements: (e)

Implement procedures to insure that account balance is solvent and reconcile the account monthly. NHCCA failed to perform timely bank reconciliations. The review of the December

Finding 05-2011 (cont.):

2010 bank reconciliation showed it was not completed until February 17, 2011, which was the date it was printed for review. There were no dates next to the signatures to indicate the actual date of review. Under generally accepted accounting principles (GAAP) the financial information must be relevant, reliable and prepared in a consistent manner. Performing timely bank reconciliations provides management and accounting staff accurate information to assist in the decision making process. It was noted that January 2011 and February 2011 reconciliations appeared to be timely based on the date the reconciliations were printed. However, neither reconciliations contained dates next to the signatures to indicate the actual date of review.

Required Action:

NHCCA must submit its monthly bank reconciliations for the next three months from the date of this letter to demonstrate they are being performed timely. The reconciliations should be performed within 30 days of the date of the monthly bank statements. The reconciliations should include the signature and date performed by all reviewers. Going forward NHCCA must perform their bank reconciliations timely as required by their contract.

Finding 06-2011: (Repeat finding originally cited during FY 2009-10 monitoring)

NHCCA is non-compliant with *Section 14. Disbursements:*

(b) Pre-audit all vouchers presented for payment to determine:

- *Validity and accuracy of payment*
- *Payment due date*
- *Adequacy of documentation supporting payment*
- *Legality of disbursement*

Certain expenditures selected for review did not have proper support documentation. The expenditure documentation contained outdated invoices (some 3 to 4 months late) at the time they were submitted for payment. This was noted in both the CSBG/ARRA and the CSBG Standard transactions. Staff explained that the payments were confirmed before payment was made, however, the documentation lacked clear support and did not indicate any follow-up was performed before the outdated invoice was paid.

Required Action:

NHCCA must only pay based on current bills that indicate the participant's financial need. Requests for client payments should include current bills that clearly demonstrate the client's financial debt and need. Staff should document all communication on requested information to support transactions. The most recent bills should be included as supporting documentation to verify what the current outstanding balances are before payment is provided.

Finding 07-2011: (Repeat finding originally cited during FY 2009-10 monitoring)

NHCCA is non-compliant with the 2 CFR Part 230 8. Compensation for Personal Services (see attachment) as certain staff's timesheets were not being maintained based on his/her actual activity. The timesheets staff shared between two or more programs did not support their job functions and actual activity. The Family Services Manager and the Intake Specialist's timesheets did not indicate their work with the CSBG or the Head Start program. Additionally, budgets do not reflect the actual split of time for the Family Service Manager. [Please note that OEO received a Budget Change Request from NHCCA with the incorrect allocation that was not reviewed, with an email sent to the agency requesting correction. OEO did not receive a follow-up budget with the correction.]

Required Action:

Staff should keep accurate time sheets that detail the hours worked in each program and submit a Budget Change Request that accurately reflects the shared/allocation of time for all employees. NHCCA must provide training to staff on how to properly report time worked in applicable programs. NHCCA must provide documentation that the training was provided with attendance sheets and an agenda. Going forward, all staff must report their time based on the programs worked.

Finding 08-2011:

NHCCA is non-compliant with its Financial Management Policies and Procedures Manual. The review of CSBG purchase orders attached with the paid invoices did not contain the required dates beside the preparer and approval signatures. According to the agency's Financial Management Policies and Procedures Manual on page 30, steps 10 and 11, proper authorization, date prepared and approved were not followed.

Required Action:

NHCCA must identify steps that will be taken to strengthen its internal controls with the secondary review process to confirm accounting and program staff are following the agency's policies. Staff must enter dates in all documents when prepared or approved for payment, as outlined in NHCCA's Financial Management Policies and Procedures Manual. OEO will review procedures to ensure compliance in a future monitoring visit.

Rev. Charles Davis, Jr.
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Observation 04-2011:

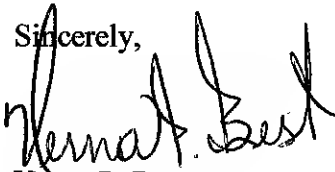
OEO noted concerns related to NHCCA's direct client financial assistance practices. OEO staff reviewed the following examples:

- On 9/30/2010, NHCCA paid \$1,992.69 to assist the client when it was evident that the client was in mortgage default with an outstanding past due mortgage of \$35,688.41. Banks usually do not take partial payments to avoid the reset of the time before they can go into foreclosure. OEO questions whether this was a reasonable use of funding.
- During review of financial records and client files, the purpose of financial support was not clearly defined for some clients. It was noted that an individual client received over \$12,000 in services for transportation, clothing and rental assistance.
- During the review of client services it was noted that transportation vouchers did not specify the purpose of the travel.

Recommendation:

Staff should use the test of reasonableness when assessing payments for client needs as the payment identified in the first bullet above appears not to demonstrate effectiveness or impact for the client's mortgage issue. As it relates to the second bullet, staff should provide clear notes in the AR4CA system to support client assistance and use reasonableness when providing ongoing assistance to clients. A policy should be established for all case workers on the parameters of service delivery and financial support. Lastly, staff should always have the client include the purpose for travel, such as to work, to shop for groceries or to attend school to support allowable travel expenditures. It is important to provide the purpose to demonstrate that service delivery is allowable and supports the participant's needs.

We appreciate the cooperation of the New Hanover County Community Action, Inc. Board of Directors and staff during this visit. Please contact Ms. Fecteau or Ms. Logan if you have questions concerning this letter.

Sincerely,

Vernia P. Best

VPB/TL/JF/BG/dmm

cc: Ms. Cynthia Brown, Executive Director; Ms. Magi York, Meliora Partners, Inc.

Attachment: Eight (8) Corrective Action Worksheets; Monitoring Visit Exit Conference Summary